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UNCLAS SECTION 01 OF 06 TRIPOLI 000151

SIPDIS

STATE FOR NEA/MAG,
COMMERCE FOR NATE MASON,
ENERGY FOR GINA ERIKSON,
STATE PASS USTR (BURKHEAD) AND USAID (MCLOUD)
USDOC FOR ITA/MAC/ONE (NATHAN MASON), ADVOCACY CTR (REITZA), AND
CLDP (TEJTEL AND MCMANUS)
CASABLANCA FOR FCS (ORTIZ)
AMMAN FOR ESTH HUB (BHALLA)
CAIRO FOR FINANCIAL ATTACHE (SEVERENS)
LONDON AND PARIS FOR NEA WATCHER

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [ETRD](#) [EINV](#) [EIND](#) [EPET](#) [ENRG](#) [PGOV](#) [LY](#)
SUBJECT: LIBYA COMMERCIAL ROUND-UP FOR DECEMBER 2008 AND JANUARY 2009

ENERGY

¶1. (U) State-Owned Zwara Oil Refinery Company Has Appointed HSBC as Financial Adviser: Zwara Oil Refinery Company (Zorco) plans to develop a 200,000 barrels-a-day crude oil refinery. The development of the refinery will be tender on a build-own-operate basis. The refinery is the first major government sponsored project in the country to seek commercial finance. Earlier in 2008 bankers pulled out of talks on financing the project and Nigeria's Africa Finance Corporation and Citadel Capital of Egypt both decided against investing in the plant. The project is estimated to cost about \$4 billion U.S. dollars and should be completed in 2014. [MEED, 12/4/2008]

¶2. (U) Chinese CNPC to Bid for Verenex Asset in Libya: China National Petroleum Corporation (CNPC) is bidding for Canadian energy firm Verenex Energy in a transaction valued at as much as \$300 million; adding a successful bid would broaden CNPC's assets in Africa. Indonesia's state oil firm, Pertamina, had announced its interest to participate in the Libyan oil area of the Canadian energy company Verenex. [Reuters, 12/15/2008]

¶3. (U) AGOCO Announces Oil Discovery: The National Oil Corporation (NOC) announced that the state-owned oil company Arabian Gulf Oil Company (AGOCO) made an oil discovery in the Ghadames Basin. The well is located approximately 500 kilometers south of Tripoli. The initial production testing established an oil rate of 5,000 barrels per day, and a gas rate of 150 million standard cubic feet per day. [HYPERLINK "<http://en.noclibya.com.ly/>" "<http://en.noclibya.com.ly/>", 12/16/2008]

¶4. (U) Hess Discovers Oil in Libya Sirte Offshore: In Libya, well A1-54/01, which is located 38 miles offshore in the Sirte Basin, was drilled to a depth of 11,077 feet in 2,807 feet of water. The well encountered a gross hydrocarbon section of approximately 500 feet at various intervals. Hess holds a 12.4

percent share and the NOC holds the remaining 87.6 percent.
[rigzone.com, 12/17/2008]

15. (U) Turkish Petroleum Overseas Company Pre-Qualifies More than Ten Companies to Provide Drilling Services: A prequalification notice had been issued, and the companies in the running, all based in Libya, now have until the end of January to make their bid quotations. The tender is for 1,500 horsepower drilling rig services in the Murzuq basin. The project comprises two firm and five optional wild cat wells to be drilled within the range of 9,000-11,000 feet. [MEED, 12/30/2008]

16. (U) Libya Orders to Cut Production by 270,000 Barrels per Day: Effective Jan 1, Libya ordered oil companies operating in Libya to cut production by 270,000 barrels per day, which is more than Libya is requested to do under OPEC agreement to slash the cartel's production by 2.2 billion barrels per day. [JANA, 12/30/2008]

17. (U) Five Firms Are Expected to Bid for an Onshore Drilling Contract: Total Exploration & Production Libya, a subsidiary of France's Total expects to formally begin the tender process in early January. Prequalification entries were accepted until early December, and around five firms were left in the running after that process ended. The contract is for the provision of onshore drilling rig services and the testing of two exploration onshore wells with possible options in the west of Libya. The proposed land rig would have a maximum drilling depth of approximately 21,000 feet. The well spud is planned for the third quarter of 2009. [MEED, 12/31/2008]

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18. (U) Libya Gains \$5.4 Billion Dollars from Altering Oil Deals: The NOC reported earnings of \$5.4 billion U.S. dollars in additional oil revenues from changes to contracts with foreign companies ENI, Petro-Canada and two consortiums led respectively by U.S. Occidental and Spain's Repsol last year. The changes of deals yielded \$2.4 billion U.S. dollars extra earnings during the first nine months of 2008. The companies also accepted to pay a total of \$3 billion U.S. dollars as up-front payments. NOC said negotiations were underway with other companies to reach similar changes which would boost oil earnings further.
[HYPERLINK "<http://en.noclibya.com.ly/>
"<http://en.noclibya.com.ly/>
, 1/18/2009]

19. (U) New Oil and Gas Discovery by Australian Woodside: NOC announced that an exploratory well drilled by Woodside in the Ghadames Basin, 900 kilometers South of Tripoli, produced oil and gas when tested. The well, F1-NC210, is the fourth discovery drilled by Woodside Energy in the contract area NC210, awarded by the NOC in May 2003. Under the contract, Woodside has a 37 percent production share and the NOC has 63 percent.
[Libyaonline.com, 1/15/2009]

110. (U) Canadian Verenex Confirms Oil and Gas Discovery in Libya: Canadian company Verenex has made its tenth oil discovery in Libya's western region of Ghadames since drilling began in September 2006. So far, Verenex has drilled four appraisal wells, and fourteen exploratory wells. The last four wells drilled are yet to be tested. Verenex, Indonesia's Medco Energi and Libyan National Oil Corporation (NOC) signed a 30-year production-sharing agreement in 2005, where the two foreign companies will take 13.7 percent of production and the NOC 86.3 percent. [Tripoli Post, 1/18/2009]

111. (U) Shell Awards Seismic Contract: The UK/Dutch Shell Group has awarded a seismic contract to BGP, the geophysical division of Chinese oil company China National Petroleum Corporation (CNPC), for a survey on the gas exploration block 89N in the onshore Sirte Basin. It is considered a difficult area to work in due to the potential risk from landmines. Shell won blocks 1 and 3 in contract area 89 in the Sirte Basin in Libya's first gas exploration licensing round in 2007. [MEED 1/20/08]

¶12. (U) Mitsubishi, Libya University to Jointly Study Green Energy: On January 28, the two parties signed a memorandum of understanding to begin joint research and development of reusable energy sources. Under the agreement, the Japanese trading company will support research into reusable energy by Libya's largest university, supplying test materials and sending specialists to the university from 2009 to 2011. The first initiative between the two will involve field-tests of solar power generation systems at the university. The plan is for the university to accumulate technology and expertise, and then cultivate leaders for the new industry. [AsiaPulse, 1/26/2009]

CONSTRUCTION

¶13. (U) South Korea's Hanil Wins a \$902.5 Billion Work Order in Libya: South Korean builder Hanil Engineering and Construction said that it had secured an order worth \$902.5 billion from Libya. Hanil said in a regulatory filing that Libya's Organization for the Development of Administrative Centers placed the order to build houses and infrastructure in Libya. [Reuters, 12/22/08]

¶14. (U) Indian Company Simplex Projects Ltd Gets Construction Contract in Libya: The contract is to develop a housing project in Libya, which comprises the construction of 2,000 houses, a public building, and roads, drainage and sewage systems; the project is scheduled to be completed in 36 months. This is the

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first overseas project for the Indian company. [Reuters, 1/13/2009]

¶15. (U) Indian Company Wins \$267 million U.S. Contract in Libya: The Libyan Housing and Infrastructure Board awarded a \$267 million U.S. dollars contract to the Indian construction and engineering firm Punj Lloyd Ltd. The 40-month project involves the engineering, procurement, construction and commissioning of infrastructure networks including water mains, sewerage tunnels, and roads in the Souk Al-Juma area, in Tripoli. In early January Punj Lloyd was awarded a similar contract worth \$214 million U.S. dollars in a joint venture with the Public Works Company Tripoli (PWCT). The four-year project involves upgrading the infrastructure in the Arada area of Tripoli. [The Tripoli Post, 1/18/2009]

¶16. (U) China Railway Wins \$805 million dollars contract in Libya: The contract worth \$805 million dollars is to build a 172 kilometer railway that will connect Tripoli with the Libya-Tunisia border. The construction of the line is expected to take around 54 months. The deal follows a \$2.6 billion dollar contract, signed last year to build two other rail lines, a 352 kilometer railway along Libya's Mediterranean coast, and an 800 kilometer line in the south. The coastal railroad is slated for completion in four years, and the southern line is expected to be completed in three years. [libyaninvestment.com, 1/23/2009]

FOREIGN TRADE

¶17. (U) Italy-Libya Trade Tops 14 Billion Euros in 2008 First Eight Months: While Libya tries to enter into Eni's capital, trade relations with Italy continue to grow, with import-exports in the first eight months of the year exceeding 14 billion Euros and confirming the North African country as Italy's top trading partner in the Mediterranean. The figures emerge from a study made by the Milan Chamber of Commerce into the latest figures for import-export between Italy and 13 Mediterranean basin countries (Morocco, Algeria, Tunisia, Libya, Egypt, Malta, Turkey, Cyprus, Lebanon, Syria, Israel, the Palestinian Territories, Jordan). In January-August imports from Libya grew by 40% compared with the first eight months of 2007, exceeding 12.4 billion Euros. Exports grew by 57%, exceeding 1.7 billion Euros. The figure makes Libya the fifth largest market for Italy in the Mediterranean. [ANSAmed, 12/09/08]

REGIONAL ISSUES

¶18. (U) Libya to Take Half Million Bangladeshi Workers: Secretary of Manpower Training and Employment, Maa'touk Mohammad Maa'touk, said that Libya would take half a million Bangladeshi skilled, semi-skilled and general workers for different projects soon. Maa'touk stressed that the Embassy of Bangladesh should verify the issues of job, salary, housing and fringe benefits of every worker before they could come to Libya from Bangladesh. [www.nation.ittefaq.com, 12/13/2008]

¶19. (U) Oman, Libya Sign \$500 Million JV Deal: The Sultanate of Oman and Libya have signed a \$500 million deal to establish a joint investment company to be based in Tripoli. The company will invest in real estate, tourism, industrial, services and energy projects and will also set up joint stock companies to undertake different projects, according to a joint statement. The State General Reserve Fund will represent Oman in the Oman-Libya Investment Holding Company. [Khaleej Times, 12/14/2008]

¶20. (U) Global Grain Rush Under Way as Rich Nations Snap up Farmland Overseas: Under a proposed agreement with Kiev, Libya would lease 247,000 acres of Ukraine's rich black land to grow wheat. The harvest would then be shipped back to Libya, giving

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the desert nation a more secure supply of food in the face of predictions about higher food prices and potential shortages in decades to come. Ukraine, in turn, would get access to Libyan oil fields, helping free it from dependence on Russia for its energy needs. [Chicago Tribune, 12/14/2008]

¶21. (U) Irrigation, Key for Africa's Food Security: On December 15, a conference on Water for Agriculture and Energy in Africa: The Challenges of Climate Change opened. It was organized by FAO together with the Libyan Government and in collaboration with stakeholders including the African Union, the African Ministers' Council on Water Development, the African Development Bank and the Economic Commission for Africa. The conference aims at setting the scene for moving from talk to action on a \$65 billion, 20-year program for irrigation and hydroenergy investments required in each country. [African Press Organization (APO), 12/15/08]

¶22. (U) Trade Exchange between Libya and Tunisia Reached 2.2 Billion Libyan Dinars during 2008: The trade exchange exceeded the specified value by 10%; the Secretary of the Libyan General People's Committee said that this value is expected to hit 2.5 billion by the end of 2008. The secretary mentioned that one of the most important of these projects is laying a strategic gas pipeline that will connect Libya with Tunisia; this project will be executed by a Libyan-Tunisian Joint committee starting in ¶2009. Currently, there are teams working in the areas of education, trade, and investment to boost bilateral integration between the countries. [JANA, 12/27/08]

¶23. (U) Libya to Invest in Oil Refinery in Egypt: Libya will invest in an oil refinery and a number of construction projects in Egypt under a deal signed in December 2008, during a visit to Tripoli by Egyptian President Hosni Mubarak. Aside from the refinery, Libya will also build service stations as well as an industrial and residential complex in Egypt. The two countries are also working towards establishing a free exchange zone on their border. The number of Libyan companies working in Egypt reached 236 companies, and Egyptian investment companies are currently working in Libya. Volume of trade exchange between the two countries is expected to increase to two billion dollars. [Tripoli Post, 1/1/2009]

INVESTMENT

¶24. (U) Libyan Fund in Talks over Kaupthing Unit-Luxembourg: Talks have taken place over the possible sale of the Luxembourg arm of troubled Icelandic bank Kaupthing to a Libyan sovereign fund. Budget and Treasury Minister Luc Frieden, said there had been discussions with several possible buyers which have to be

concluded by year's-end. The Libyan Investment Authority fund had emerged as the front-runner to buy Kaupthing Luxembourg. Other suitors that have been cited to have shown interest in picking up the Kaupthing's Belgian customers include online bank Keytrade Bank, a subsidiary of France's Credit Agricole and German bank Landesbank Nord. [Reuters, 12/10/2008]

¶25. (U) Libya Emerges from Sanctions with Investment: The Libyan Investment Authority (LIA) is set to complete Libya's first UK commercial property transaction since the suspension of economic sanctions at the end of the 1990s. Part of the LIA has agreed to buy a large office building in the City of London for about #120 million UK pounds from German fund manager IVG. The 172,000 square feet former Lloyds' City headquarters at 14 Cornhill will be sold for a yield of about 6 per cent. DTZ and Knight Frank are advising IVG. None of the parties involved would comment on the sale. [Financial Times, 12/12/2008]

¶26. (U) Libya to List Ten Companies on Libyan Stock Market: Libya plans to sell shares in more state-owned companies as the

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government seeks to boost the economy and develop the bourse set up last year. The state-run Economic and Social Development Fund aims to offer foreign investors about 15 percent of 10 companies. Libya's Al-Jomhuria Bank is among the 10 companies that may be sold on the stock market following further sales of shares in Al Wahda Bank and Al Sahara Bank, both of which are already traded on the exchange. Arab Bank, Jordan's largest publicly traded bank, bought a 19 percent stake in Libya's Wahda Bank in February for 210 million euros. BNP Paribas SA, France's biggest bank, purchased 19 percent of Libya's state-owned Sahara Bank for 145 million euros on Oct. 4. [Bloomberg, 12/17/2008]

IT

¶27. (U) STS PayONE Voucher powers Bank of Commerce and Development in Libya: STS, MENA's leading enterprise ePayment solutions provider and system integrator, furnished Bank of Commerce and Development in Libya with an enterprise-level platform for the management and distribution of its electronic voucher service at several point-of-sale terminals located throughout the Libyan retail outlets. Bank of Commerce and Development will be able to support multiple service delivery channels including dial-up, GSM, ATMS, IVR and SMS. It provides management and dispensing capabilities for the GSM prepaid airtime, with the ability to add more services and access channels to achieve higher customer satisfaction and fulfill expansion goals. [menafn.com, 12/1/2008]

¶28. (U) UNESCO Reinforces Capacities of Public Administrations through the Use of Free Software: The Arab Federation of Technical Education, the UNESCO Office in Rabat, and ISESCO, in cooperation with the Libyan Ministry of the Labor and Training, organized a workshop at the Higher Institute of Computer Technology in Tripoli, Libya. The workshop aimed to reinforce capacities of public administrations through Free and Open Source Software (FOSS). During the three-day workshop, experts from the Maghreb countries presented best practices in using FOSS in their respective countries. This enabled participants to reinforce the capacities of universities in the field of technical education through the use of FOSS, and to develop tools in order to make public services more transparent. [UNESCO, 12/19/2008]

¶29. (U) Libya Introduces WiMAX Mobile Service: Libya Telecom and Technology (LTT) launched on January 22, the WiMAX mobile service in Libya. In the first phase, LTT aims to provide the WiMAX mobile service to 300,000 subscribers in the country. LTT worked along with Alcatel, ZTE, and Huawei companies for the realization of the project. The WiMAX service is currently available in eighteen Libyan cities. [libyaonline.com, 01/25/2009]

TRANSPORTATION

¶30. (U) Libya Buys Six Oil Tankers for \$400 Million Dollars:
Libya's national maritime transport company announced on Wednesday the purchase of six oil tankers valued at a total of 400 million dollars. The contracts were signed with Korean naval construction group Samsung Heavy Industries and Japanese constructor Sasebo Heavy Industries. Four tankers will be built by Samsung and the other two by Sasebo. The tankers will have a total capacity of 700,000 tons, or the equivalent of five million barrels of crude. Headed by Hannibal al-Qadhafi, the company exercises a near-monopoly in the transport of Libyan oil. Its fleet currently comprises 18 tankers with a total capacity of 11.8 million barrels. [AFP, 12/24/08]

¶31. (U) Libya Bans Swiss Flights: Libya has banned Switzerland's national carrier, Swiss International Air Lines, from flying to Tripoli. This is the latest twist in ongoing diplomatic row

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between the two countries after the arrest of Muammar al-Qadhafi's son, Hannibal. Switzerland's national carrier had three weekly flights from Zurich to Tripoli until mid-July when the Libyan authorities reduced them to one, citing "technical reasons." Swiss Air Lines spokeswoman says the company received a letter saying it had to stop its last remaining flight due to technical reasons. [www.voa.com, 12/25/08]

¶32. (U) U.S. Shipping Carrier Nordana Introduces New Service in Libya: Beginning in February, Nordana will include the Port of Misurata to its services in Libyan ports. The Port of Misurata will be called on all sailings to Libya with a frequency of 17 to 18 days. Since trade relations reopened between the U.S. and Libya in 2004, Nordana has been operating regular roll on / roll off vessels and breakbulk services from the U.S. into Libya. Nordana also serves the Libyan ports of Benghazi, Marsa El Brega, and Tripoli. [breakbulk.com, 1/12/2009]

LAW

¶33. (U) Libyan Tax Authority Director Calls on Foreign Companies to Abide by Law: The Director of the Libyan Tax Authority, Mr. Al Bueshi Maa'toug Al Alafi, has called on both local and foreign companies operating in Libya to help his organization by abiding by the law and paying their taxes regularly. Mr. Bueshi advised foreign companies operating in Libya to strictly implement public laws and make sure that they are hiring competent financial managers and good lawyers who would advise them on legal matters accordingly. Mr. Bueshi made the call during a symposium on reforming the Tax System held in Tripoli. [Tripoli Post, 12/11/08]

BANKING

¶34. (U) Libyan Bank Named among the Best Emerging Market Banks in Africa 2008: Global Finance magazine has named Wahda Bank of Libya among the "Best Emerging Market Banks in Africa 2008". Global Finance editors with input from industry analysts, corporate executives and banking consultants selects the best emerging market bank based on growth in assets, profitability, strategic relationships, customer service, competitive pricing, and innovative products within the region. Wahda Bank ranked number 90 among 100 banks in Africa, but for it to be among the best emerging market banks in Africa remains an important sign that the banking system in Libya is advancing after many years of total stagnation. [Tripoli Post, 12/13/08]

CRETZ